EQUIPMENT FINANCE INSIGHT

MAXIMIZING BENEFITS WITH SECTION 179 FOR YOUR FORKLIFT FLEET

A timely upgrade in 2026

If your business has been considering upgrading its aging forklifts or material-handling equipment, 2026 presents an exceptional opportunity to make that investment — thanks to a crucial aspect of the tax code that many business owners might not fully understand.

Let's explore the advantages, what has changed, and how timing can significantly impact your financial outcomes.

UNDERSTANDING SECTION 179 IN SIMPLE TERMS

Traditionally, when a business acquires equipment, the IRS requires the expense to be depreciated over several years, meaning you receive only a portion of the tax benefit annually throughout the asset's useful life. However, Section 179 allows eligible businesses to bypass this lengthy process. Instead, you can deduct the entire purchase price in the same year the equipment is acquired and put into service.

For businesses looking to invest in forklifts and other capital equipment, this means a substantial advantage: instead of waiting five to seven years to reap the full tax benefits, you can capture them immediately, as soon as the equipment starts benefiting your operations.

THE 2026 NUMBERS

Following recent tax law changes, the limits on this deduction increased substantially, and the IRS has since released the official 2026 figures:

$2,560,000	The maximum amount of qualifying equipment purchases a business can deduct in 2026 under Section 179 (per IRS Revenue Procedure 2025-32).

$4,090,000	The phase-out threshold. If your total qualifying equipment purchases for the year exceed this amount, the deduction begins to be reduced dollar-for-dollar. It fully phases out at $6,650,000 in purchases — a threshold most small and mid-sized operations won't come close to.

100%	Bonus depreciation is now a permanent part of the tax code for qualifying property placed in service after January 19, 2025. In practical terms, equipment that doesn't qualify under Section 179 — or exceeds it — can often still be fully written off in year one through bonus depreciation.

DOES LEASED OR FINANCED EQUIPMENT QUALIFY?

Yes — and this is the part many equipment users don't realize. Section 179 doesn't require you to pay cash. It applies to equipment you finance or lease under an ownership-type structure (such as a $1 buyout or equipment finance agreement), if the equipment is placed into service during the tax year.

THIS OPENS UP OPTIONS FOR BUSINESSES TO

- Acquire necessary equipment without a significant upfront capital investment
- Claim the full tax deduction in the current year
- Spread out actual payments over time

In other words, financing doesn't disqualify you from the tax benefit — it can be the smarter way to capture it, since it keeps your working capital free for payroll, operations, or other priorities while you still get the same deduction as a cash buyer.

WHAT EQUIPMENT QUALIFIES?

Section 179 covers a broad range of material handling equipment, including:

- Forklifts, reach trucks, order pickers, pallet trucks and tuggers
- AGVs, AMRs and warehouse automation systems
- Conveyor, sortation and packaging equipment
- Tractors, trailers and other qualifying commercial vehicles
- Computers, servers, office equipment and certain off-the-shelf software
- Tools, shop equipment, generators and material-handling attachments
- Warehouse racking and similar equipment when classified as tangible personal property

The full deduction is available for used forklifts or other equipment you are acquiring for the first time, provided they meet the IRS eligibility criteria.

EXAMPLE FOR CLARITY

$2,000,000 → **~$600,000**

FLEET UPGRADE — ESTIMATED TAX SAVINGS

A $2,000,000 fleet investment in 2026 sits below the $2,560,000 limit, so it can be fully deducted. For a business in the 30% tax bracket, that's roughly $600,000 in savings to reinvest in operations.

Keep in mind that this is a simplified example. Actual savings will depend on your unique tax situation and eligibility, so it's always a good idea to consult with your CPA or tax advisor for tailored advice.

THE IMPORTANCE OF TIMING

To be eligible for 2026 benefits, it's essential that equipment is purchased and placed into service by **December 31, 2026**. This means the equipment should be delivered, operational, and in use by that date — not merely ordered or on back order.

Delaying until December can lead to missed opportunities, so proactive planning is crucial. Businesses that strategically time their equipment decisions stand to gain the most.

ADDITIONAL CONSIDERATIONS

Beyond tax incentives, extending the life of aging equipment can be costly in other ways:

- Increased maintenance and repair costs

- More frequent unexpected breakdowns
- Reduced productivity and efficiency

Upgrading now not only allows you to take advantage of favorable tax treatment but also ensures enhanced uptime, improved safety, and reduced ongoing maintenance costs.

THE BOTTOM LINE

2026 presents a uniquely favorable environment with increased Section 179 limits, permanent 100% bonus depreciation, and the flexibility to leverage financing without tying up cash resources. However, these benefits hinge on timely purchases and having equipment operational before the year concludes.

If you have aging equipment in your fleet, the time to act is now. Let's discuss your needs and how financing can help you optimize your tax benefits without impacting your cash flow.

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